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N.Q.N. Mines Limited

(Incorporated under the Quebec Mining Company's Act)
(No Personal Liability)

ANNUAL REPORT

For the Year ended August 31, 1972

N.Q.N. Mines Limited

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(No Personal Liability)

OFFICERS

E. M. Dillman President
W. D. MacLean Vice-President
B. R. Kennedy Secretary-Treasurer

DIRECTORS

E. M. Dillman
W. D. MacLean
B. R. Kennedy
J. L. Dillman
C. B. Wallace

TRANSFER AGENT & REGISTRAR

Guaranty Trust Company of Canada
Montreal, Quebec

HEAD OFFICE

Suite 2610, 800 Dorchester Blvd. West
Montreal 101, Quebec

EXECUTIVE OFFICE

Suite 2319, 401 Bay Street
Toronto, Ontario M5H 2Y4

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To The Shareholders:

Your directors herewith submit the Annual Report of the company for the fiscal year ended August 31, 1972 along with the financial statements and the accompanying Auditors' Report. In addition, the Notice of Meeting and the Instrument of Proxy are also enclosed.

Your company continued to maintain active interests in several areas of Eastern Canada.

Chute des Passes Area, Quebec

Approximately 2000 feet of diamond drilling was carried out under a joint venture agreement with Imperial Oil Enterprises Limited as the operator. Based on the results obtained no further work is being considered for this project.

Ungava Nickel Belt, Quebec

The company owns a 50% interest in approximately 45,000 acres consisting of mining claims and an exploration permit. These lands are to the west of and along strike of the main properties of New Quebec Raglan Mines Limited. The properties are subject to a joint venture agreement with Getty Mines Limited whereby Getty may earn a 60% interest after the expenditure on exploration of \$400,000 over a five year period.

In the 1972 field season Getty expended the sum of approximately \$150,000 on a preliminary program to follow up the results of an airborne E.M. and magnetometer survey. This program produced results which are deemed encouraging in that two areas of nickel-copper mineralization and a third mineralized zone were discovered as well as other favourable geological and geochemical indications.

For the 1973 season Getty is proposing a program at a cost of \$144,000 which will consist of geophysical and geological surveys, geochemical sampling and up to 4,000 feet of diamond drilling. The work is expected to commence in May.

Patapedia Area, New Brunswick

The company owns 39 claims which are under a joint venture agreement with Imperial Oil Enterprises Limited whereby Imperial may earn a 60% interest in the claims after spending a total of \$150,000 on exploration.

Imperial has carried out an extensive exploration program which has consisted of geological mapping, geophysical surveys, geochemical sampling and approximately 4,500 feet of diamond drilling. The diamond drilling was recently suspended because of breakup conditions.

Detailed mapping has shown an oval shaped area of altered sedimentary rocks approximately two and a half miles long by a mile and a quarter wide of which about 60% occurs within the boundaries of the N.Q.N. claims. Noranda Mines Limited owns the claims adjoining to the northwest.

The zone consists of altered and bleached limestones, marble, calc-silicate hornfels and skarns intruded by numerous porphyry sills and dykes. The alteration zone is extensively mineralized with low disseminated areas of pyrite and pyrrhotite and there are several occurrences of copper, lead and zinc sulphides. Both the alteration and mineralization exhibit a zoning pattern which is characteristic of geological conditions which occur at several of the important porphyry copper deposits. As such, the N.Q.N. claims present a prime exploration target.

At the south end of the alteration zone several of the drill holes intersected encouraging amounts of copper-silver mineralization within a breccia pipe or zone, the extent of which has not been delimited. Other specific targets remain to be explored.

From the foregoing it may be realized that the company's position in exploration is such that continuing activity is more or less assured for the forthcoming season. Shareholders will be advised as to progress from time to time.

On behalf of the Board of Directors,

E. M. DILLMAN
President

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BALANCE SHEET

As at August 31, 1972
 (With 1971 figures for comparison)

ASSETS	1972	1971
Cash in bank	\$ —	\$ 50,220.57
Term deposits	35,000.00	75,000.00
Accounts receivable	6,140.81	—
	41,140.81	125,220.57
PROVINCE OF QUEBEC BOND — at cost (Note 1)	679.92	679.92
MINING CLAIMS (Note 2)	123,774.94	75,001.00
EXPLORATION EQUIPMENT — at cost less accumulated depreciation of \$365.96 (1971—\$215.27)	351.61	502.30
DEFERRED EXPENDITURE		
Exploration	73,602.98	72,781.67
Administration.	13,678.56	11,938.32
ORGANIZATION EXPENSE	—	3,417.45
	<u>\$253,228.82</u>	<u>\$289,541.23</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT	1972	1971
Bank overdraft	\$ 217.54	\$ —
Accounts payable	7,391.00	7,816.07
	<u>7,608.54</u>	<u>7,816.07</u>
SHAREHOLDERS' EQUITY		
Capital Stock		
Authorized		
3,000,000 Shares of no par value		
1,783,344 Issued and Fully Paid	315,010.20	315,010.20
Deficit	69,389.92	33,285.04
	<u>245,620.28</u>	<u>281,725.16</u>
	<u>\$253,228.82</u>	<u>\$289,541.23</u>

See accompanying Notes to Financial Statements

Approved on behalf of the Board:—

E. M. DILLMAN	Director
B. R. KENNEDY	Director

AUDITORS' REPORT

To The Shareholders
 N.Q.N. Mines Limited

We have examined the balance sheet of N.Q.N. MINES LIMITED as at August 31, 1972, and the statements of deficit, deferred exploration expenditure, deferred administration expenditure and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at August 31, 1972, and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

WILSON, MASIN & McGOVERN
 Public Accountants.

Don Mills, Ontario.
 January 15, 1973.

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STATEMENT OF DEFICIT

For the year ended August 31, 1972
 (With 1971 figures for comparison)

	1972	1971
Balance at September 1	\$ 33,285.04	\$ NIL
Option payments on claims abandoned	—	5,700.00
Cost of mining claims abandoned	1.00	—
Exploration expenditure on mining claims abandoned	27,606.70	23,605.60
Proportion of administration expenditure written off	5,079.73	3,979.44
Organization expense written off	3,417.45	—
Balance at August 31	<u>\$ 69,389.92</u>	<u>\$ 33,285.04</u>

STATEMENT OF DEFERRED EXPLORATION EXPENDITURE

For the year ended August 31, 1972

	Balance September 1 1971	Expenditure During The Year	Written Off to Deficit	Balance August 31 1972
Lake St. John, Quebec	\$ 66,754.39	\$ 550.58	\$ 23,527.65	\$ 43,777.32
Chute Des Passes Area,				
Quebec Joint Venture	5,527.28	6,800.59	—	12,327.87
Ungava Nickel Belt, Quebec	500.00	15,228.00	—	15,728.00
Patapedia Township, Quebec	—	1,769.79	—	1,769.79
General Exploration	—	4,079.05	4,079.05	—
	<u>\$ 72,781.67</u>	<u>\$ 28,428.01</u>	<u>\$ 27,606.70</u>	<u>\$ 73,602.98</u>

STATEMENT OF DEFERRED ADMINISTRATION EXPENDITURE

For the year ended August 31, 1972

Balance at September 1, 1971	\$ 11,938.32
Expenditure during the year	
Directors' fees	\$ 275.00
Head office and secretarial fees	3,400.00
Legal and audit	1,800.00
Transfer agency fees and expense	1,016.73
Telephone and telegraph	459.40
Shareholders' information	521.14
Government fees and taxes	232.38
Canadian Stock Exchange fees and expense	427.22
Travel and transportation	456.45
Miscellaneous expenses	303.06
	<u>8,891.38</u>
Less interest received	2,071.41
	<u>6,819.97</u>
Deduct portion of administration expenditures written off to deficit	
Upon abandonment of mining claims	4,099.73
Attributable to general exploration expenditure	980.00
Balance August 31, 1972	<u>\$ 13,678.56</u>

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STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended August 31, 1972
(With 1971 figures for comparison)

	1972	1971
SOURCE OF FUNDS		
Sale of Treasury shares	\$ —	\$180,000.00
Interest received	<u>2,071.41</u>	<u>1,963.20</u>
	<u>2,071.41</u>	<u>181,963.20</u>
APPLICATION OF FUNDS		
Acquisition of mining claims	48,774.94	—
Exploration expenditure	28,428.01	69,710.89
Administration expenditure	8,891.38	12,403.40
Exploration equipment	<u>—</u>	<u>717.57</u>
	<u>86,094.33</u>	<u>82,831.86</u>
Less exploration expenditure which did not involve an outlay of funds	<u>150.69</u>	<u>10,215.47</u>
	<u>85,943.64</u>	<u>72,616.39</u>
DECREASE (INCREASE) IN WORKING CAPITAL FOR YEAR	83,872.23	(109,346.81)
WORKING CAPITAL AT BEGINNING OF YEAR	117,404.50	8,057.69
WORKING CAPITAL AT END OF YEAR	<u>\$ 33,532.27</u>	<u>\$117,404.50</u>
REPRESENTED BY:-		
Current Assets	\$ 41,140.81	\$125,220.57
Less Current Liabilities	<u>7,608.54</u>	<u>7,816.07</u>
	<u>\$ 33,532.27</u>	<u>\$117,404.50</u>

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NOTES TO FINANCIAL STATEMENTS

August 31, 1972

1. Province of Quebec Bonds

The company has deposited with the Minister of Finance of the Province of Quebec, a Province of Quebec 5½% Sinking Fund Debenture (par value \$1,000.00) pursuant to Section 31 of the Securities Act (Quebec).

2. Mining Claims

(a)	23 claims in Township 638, County of Lake St. John West, Quebec, acquired for 750,000 shares of the company's capital stock, valued by the Directors at \$0.10 per share	\$ 75,000.00
(b)	50% interest in 1,385 claims in the Cape Smith-Ungava Area, Quebec, purchased at a cost of [See Note 3(a)]	44,183.94
(c)	39 claims in Restigouche County, New Brunswick, purchased at a cost of [See Note 3(b)]	4,590.00
(d)	12 claims in Patapedia Township, Quebec, acquired by staking and recorded at a nominal value	1.00
		<u><u>\$123,774.94</u></u>

3. (a) On May 29, 1972, Exploration Permit, Number 532, covering approximately 69 square miles in the Cape Smith-Ungava Area was granted to the company covering the majority of these claims as well as additional areas. Under the terms of a letter of intent, pending the signing of an option agreement, the company and its associates have allowed Getty Mining Northeast, Limited to conduct an exploration program on the properties.

(b) Pursuant to an agreement dated July 1, 1971, with Marquis Mines Limited and assigned to the company August 24, 1972, Imperial Oil Enterprises Limited was granted a working option with respect to the 39 claims in Restigouche County. Imperial has spent in excess of \$25,000 on exploration and may earn a 60% interest in these claims by spending a total of \$150,000 prior to December 1, 1973, at a rate of not less than \$30,000 per year.

(c) By an agreement dated October 30, 1970, the company entered into a joint venture to explore an area of interest in the Chute Des Passes Area of Quebec with Imperial Oil Enterprises Limited and Dominion Explorers Limited. An extensive exploration program has been carried out over the claims including an aerial survey, geophysical surveys and diamond drilling.

The company's share of exploration expenditure is one-ninth which entitles it to a 20% interest in the claims.



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